

INCOMING TELEGRAM

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Department of State

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PRIORITY

SENT DEPARTMENT 1624; REPEATED INFORMATION LUXEMBOURG LUXCO 3,
BRUSSELS BUSEC 3.

Reference: DEPTTEL 1643.

As instructed reference telegram Embassy officer today presented Foreign Office officials (Sachs and Von Schweinit) Department's request suspend formal action on tariff-quota program for 60-day period. Stressed adverse reactions arising from proposed coal restrictions upon US relations with Federal Republic. In conversation this subject later with Westrick, Embassy officer was told that Federal Republic intended change base period calculation of tariff-free country quotas to 34 percent of 1956-58 average imports. This will raise US total by about 855,000 tons and result in following country quotas in thousand tons US 4,420; UK 207; Norway 52; Czechoslovakia 10; Poland 303; USSR 27.

Westrick said furthermore Federal Republic willing undertake consultations as suggested reference telegram notwithstanding Bundestag action expected today.

Immediate reaction Sachs and Von Schweinit to requested 60-day suspension was that legislative process so far advanced impossible to consider reverse it at this time. As indicated paragraph 3 EMBTEL 1599, Bundestag foreign trade committee considered proposal January 28. Committee voted in favor proposal which consequently comes before plenary session Bundestag today. Government pressing hard for favorable vote. Yesterday's vote in committee was close and both Chancellor and Erhard are determined do everything

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possible obtain favorable vote in Bundestag today.

Von Schweinit and Sachs stressed fact that program represented considered judgement of government as to best way to proceed. Decision taken only after review other possible courses action and full consideration US views. Also mentioned seeming misunderstanding in US industry circles about question of discrimination in favor East bloc. Proposal described EMBTEL 1557 and voted upon yesterday in foreign trade committee would have provided tariff-free quotas equal to 50 percent of 1950-58 average imports for each exporting country concerned. They claim that program discriminates favor East bloc not justified. (New quota base period presumably subject same explanation.)

Comment: Bundestag debate on coal problem expected develop into attack on Erhard and his free market economy policies. Chancellor and Erhard determined avoid defeat on coal plan since (1) government has publically announced proposal and Chancellor has promised Ruhr miners and industry that action would be taken, and (2) criticism of government's economic policies would now be inherent in defeat of plan.

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